

**SPRINGFIELD
POLICE OFFICERS'
AND
FIRE FIGHTERS'
PENSION FUND
CITIZENS' TASK FORCE**

July 2009

AGENDA

6:30 Introductions
 Presentations
 Questions

- *Limit -2 questions per participant*
- *Commentary not to exceed 5 minutes*

8:30 Adjourn

Task Force Membership

Jerry Fenstermaker, Chairman (Non-Voting)

Jerry Harmison, Vice Chairman

- ▣ Lorenzo Baldwin
- ▣ Mary Beth Daniels
- ▣ Gordon Elliott
- ▣ Carl Herd
- ▣ Ken Homan
- ▣ Bob Horton
- ▣ Danny Hyde
- ▣ James Jeffries
- ▣ Bob Jones
- ▣ Peggy Kubicek
- ▣ Chad Munsey
- ▣ David Trippe
- ▣ Craig Wagoner
- ▣ Dr. Lloyd Young

TASK FORCE CHARGE

- Research and investigate pension funding issue to determine scope of problem and level of urgency to solve
- Consider and analyze various potential methods to provide a multi-year plan to:
 - restore/maintain fiscal responsibility of the plan
 - ensure ability to recruit/retain public safety employees
- Meet with all stakeholders to collect input
- Provide written recommendations to Mayor and City Manager, ranking one or more recommended options

SCOPE OF PROBLEM

Plan has been underfunded
(below 80%) since 2000.

In 2009, Plan was $1/3$ funded
compared to 78.8% in 2000.

Underfunded \$203 million in
March 2009.

Investment return of only
\$7.1 million cumulative
since 2000.

Investment Benchmark
(8.5% - 7.5%) achieved three
times since 2000.

Contributions - Disbursements
=
- \$33.8 million

Liability likely to soar in
October when ROI may be
lowered and mortality tables
updated.

\$20-\$50 million increase
possible.

No indication of nefarious
activity

Benefits increased with no
identified funding source

Future benefits of active
employees near additional
\$150 million

Only 52% of 974 in Plan make
current monthly contributions

URGENCY OF PROBLEM

52% of Police/Fire
payroll now going to fund.

Not sustainable.

Budget cuts in City due to dropping
sales tax revenues and increasing
Pension Fund contributions.

FY09: \$ 7 million cut
FY10: \$ 5.7 million cut

FY10 General Fund Budget:
\$ 71.5 million

Services being reduced

Morale affected with Police/Fire
and City employees

Threat of litigation voiced
strongly

Recruiting affected everywhere

Bond rating in jeopardy

Employee retention an issue

Voters once turned down sales
tax increase

Major funding commitment
needed before year-end

Stakeholders

The Task Force met with, and received presentations from, a wide variety of stakeholder representatives, including the following:

- **Police and Fire Pension Board Trustees – 4/29/09**
 - David Hall – Orientation for new Pension Board members and background on operation of Pension Board
- **Citizens Keeping Our Commitment Committee – 5/6/09**
 - Morey Mechlin – Advocating for the 1-cent sales tax
- **Fire Department – 5/6/09**
 - Chief Barry Rowell – Recruitment, retention, and salaries
- **Police Department -5/6/09**
 - Chief Lynn Rowe – Recruitment and employee turnover

Stakeholders – *cont'd*

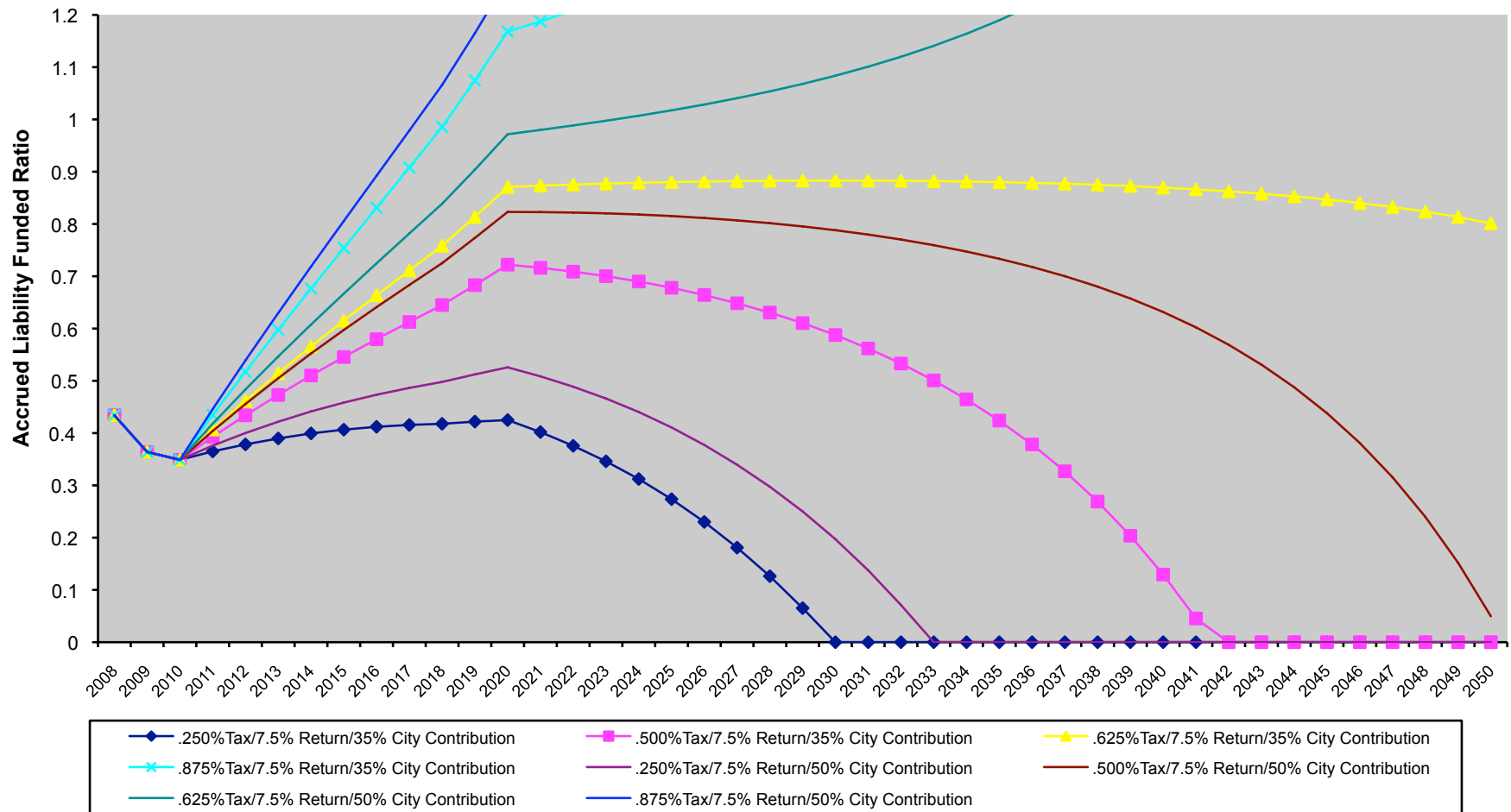
- **SPOA / IAFF Unions** – 5/6/09
 - Mr. Dan Tobben, attorney for SPOA / IAFF
 - Mike Evans, President, Springfield Police Officers Association (SPOA)
 - Shawn Martin, Secretary/Treasurer, International Association of Fire Fighters (IAFF) Local 152
- **Milliman** – 5/13/09
 - Michael Zweiner – Actuary consultant for the Pension Board
- **Segal Investment Advisors** – 5/13/09
 - Gino Reina – Investment portfolio consultant for the Pension Board
- **Show-Me Institute** – 5/20/09
 - Joe Haslag - Non-profit Missouri think tank organization

Stakeholders – *cont'd*

- **City of Springfield** – 5/20/09
 - Greg Burris – City of Springfield’s Proposed Fiscal Year 2010 Budget Overview
- **Chamber of Commerce** – 5/21/09
 - Chairman Andy Lear and President Jim Anderson – “Neutral” position on the previous 1-cent sales tax proposal
- **City of Springfield** – 5/27/09
 - Mary Mannix Decker, Director of Finance – Sales tax rate comparisons
- **City Utilities** – 5/27/09
 - Chairman Mark McNay and General Manager John Twitty – Potential sale of City Utilities
- **LAGERS** – 6/3/09
 - Keith Hughes – LAGERS retirement plan for City employees

Proposed Options Under Consideration

City of Springfield Police Officers and Fire Fighters Retirement Fund
Plan Closed/Tier 2 Employees Removed/Various Tax Rates For 10 Years Starting July 2010



Issue	<h1>Sales Tax Proposal Option #1</h1>
Proposed Solution	<p>5/8-cent Sales Tax 7.5% Assumed Rate of Return 35% City Contribution (2) 5-year tax periods</p>

Pros	<ul style="list-style-type: none">•Lowest possible tax rate that appears to offer permanent solution.•Potentially more acceptable to voters than previous 1-cent proposal.
Cons	<ul style="list-style-type: none">•Requires at least one tax renewal after initial 5-year period.•Depends on a 7.5% annual rate of return.

Issue	<h1>Sales Tax Proposal Option #2</h1>
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Proposed Solution	3/4-cent Sales Tax 7.5% Assumed Rate of Return 35% City Contribution (2) 5-year tax periods
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Pros	•Potentially more acceptable to voters than previous 1-cent proposal.
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Cons	•Could require a second renewal.
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Issue	<h1>Pension Board Structure Option #1</h1>
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Proposed Solution	<p>11-member Board</p> <ul style="list-style-type: none">* 3 Citizens* 1 City Council Member* 1 City Human Resources* 1 City Finance* 2 Police* 2 Fire* 1 Retiree <p>Chair elected by Board and serves one year.</p>
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Pros	<ul style="list-style-type: none">• Gives City direct communication and input.• Board would consist of a broad group of people with a range of experience and knowledge.
Cons	<ul style="list-style-type: none">• May be perceived as an arm of the City government.

Issue	<h1>Pension Board Structure Option #2</h1>
Proposed Solution	<p>7-member Board</p> <ul style="list-style-type: none"> * 5 Citizens * 1 Police * 1 Fire <p>Citizens will be appointed by City Manager and approved by City Council.</p>

Proposed Solution (cont'd)	<ul style="list-style-type: none">• Board would hire own independent legal counsel.• At least one staff serve as non-voting liaison between Board and City.• Board has power to hire a Director for daily issues.
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Pros	<ul style="list-style-type: none"> • Removes conflict of interest of City running the Board. • Puts more Citizens, who ultimately are financially responsible, on the Board. • Removes conflict of interest of beneficiaries having a control of Board. • IF director is hired, it would free up City personnel for other duties.
Cons	<ul style="list-style-type: none"> • Extra cost to plan to hire outside attorney. City loses control if outside Director is hired.

Issue	<h1>Pension Plan for New Employees Option #1</h1>
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Proposed Solution	<p>New employees will be incorporated into the LAGERS system, and Tier 2 employees may voluntarily transition into the LAGERS system.</p>
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Pros	<ul style="list-style-type: none">• LAGERS is well-funded, stable retirement system.• A step towards getting City out of pension benefits.
Cons	<ul style="list-style-type: none">• If everyone doesn't convert, not a viable solution.• Would be change from current plan.

Issue	Pension Plan for New Employees Option #2
Proposed Solution	New employees will be enrolled in Social Security or some other Defined Benefit Plan (if Social Security is not available) and have a Defined Contribution Plan to provide for additional retirement income.

Pros	<ul style="list-style-type: none"> • Possible lower cost than Option #1. • Takes market performance out of City's hands.
Cons	<ul style="list-style-type: none"> • Requires State authorization with a majority vote from P/F members. • Requires 40 quarters of contribution to qualify for benefits. • Requires additional contribution from City (6.2%). • Requires 100% enrollment of all active P/F members into Social Security.

Issue	Defined Benefit Plan VS. Defined Contribution Plan
Proposed Solution	The Task Force approved not recommending a Defined Contribution Plan as an option.

Rationale:

- All other City employees participate in a DB plan (LAGERS).
- Police and Fire employees do not participate in Social Security (a defined benefit plan most citizens receive).
- Impacts the City's ability to attract and retain desirable employees.
- DB plans encourage employees to remain employed with the City (less portable).
- DC plans do not cover disability benefits.

Other Issues Considered

- Net proceeds from pending telecommunication lawsuit settlements

- Task Force recommends to current City Council, and future City Councils, all future telecommunication settlement net proceeds be placed in Pension Fund, above and beyond the recommended 35% City Contribution.

• $\frac{1}{4}$ -Cent Capital Improvement Program (CIP)

- Task Force recommends the CIP funding continue as is and not be used to fund the Pension system.

- Bankruptcy

- Task Force recommends the City not file for bankruptcy.

•Property Tax

- Task Force recommends 1.5 mill property tax not to be enacted to fund the pension shortfall.

- City Utilities

- Task Force recommends the Pension Fund not be funded by City Utilities.

•Sale of City Property

- Task Force recommends the City sell any unused property, when possible and practical, and invest proceeds into Pension Fund.

•Disability Insurance

- Task Force recommends the disability provision continue to be self-insured by the Pension Fund.

Next Steps

- ❖ Complete Town Hall Meetings
- ❖ Revise Draft Report incorporating recommendations from Citizens
- ❖ Present recommendations to City Council

The Task Force requests to remain active until the end of 2009 in order to follow up on the Tier 1 to LAGERS project and the actuarial updates due in October 2009.

Questions?